

Chairman's Statement

On behalf of the Board of Directors, I take pleasure to present to our shareholders the business results for the past year and the prospects for 2002.

The Group consolidated its operations in 2001. Upon completion of the acquisition of the entire interest of Dawning Information Industry Company Limited ("Dawning") on 4 June 2001, Dawning became one the Group's core information industry operations. Through the management's efforts to reshuffle and consolidate its businesses and optimize its core operations over the past two years, Shenzhen High-Tech has gradually transformed its operations into a new and advanced technology and information industry based investment holding group with stable financial conditions, solid core business, strong profitability and favorable growth outlook.

Dawning is a well-known high performance computer (i.e. server) manufacturer in the PRC, and is also the only domestic UNIX/RISC server manufacturer presently. It recorded satisfactory growth in both turnover and profit over the past few years. In the first year subsequent to the takeover, Dawning already contributed operating profits of the Group.

As a result of weak global economy in 2001, some domestic IT infrastructure projects were either delayed or shrank, and Dawning's business growth was affected to certain extent in the second half accordingly. To cope with the changing market environment, Dawning adopts a diversified business development strategy. Apart from strengthening its leading market position in large-scale server market, Dawning strives to expand market share for functional servers and product mix.

There is still an immense market potential in the demand for servers in the PRC. As China has entered into the WTO, and has won the bid to host 2008 Olympic Games, and global economic recovery is widely expected to start from the second half of 2002, domestic hi-tech and telecommunication industries will definitely see substantial development, and the Group expects Dawning to report stable growth in its performance in 2002.

New and advanced technology, modern logistics and modern financial sectors are the three backbone industries of Shenzhen. As a major hi-tech driver in Shenzhen, the Group will actively participate in the construction of Shenzhen new advanced technology industry, and manage the National Research Center for High Performance Computer backed by Dawning and the Computation Research Institute of the China Academy of Science & Technology. Meanwhile, the Group will provide advanced technology support for the logistics development of Shenzhen, for the hi-tech industry pioneer engineering projects such as new materials, software and environmental protection products, etc., and for financial innovation and liberalization.

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To adhere to the direction of hi-tech industry as marked out by the information industry, and to adhere to investing in projects in the growth or expansion stage, are the Group's investment principles. In choosing the investment projects, the following features will be considered and investigation will be made before implementation of a project: strong technical innovation capacity; good growth and expansion potential; considerable operating results; high quality assets, and standardized scientific management. The Group has investment management experts with extensive experience who are familiar with the operations of the technology industry. By virtue of the experience and foundation provided by the acquisition of Dawning, the management will actively identify investment opportunities with development prospects and potential of achieving synergistic effects with the existing operations, and further extend the Group's business portfolio and revenue streams to maximize returns to shareholders.

With the management devoting keen effort in the reorganization of the business operations since their assumption of office in 2001, the Group has accomplished the goals of its business repositioning exercise. With strong financial condition, the Group currently does not have any debt liabilities and has turned loss into gain within a mere two years. The management is actively exploring the possibility to participate in the reform of state assets and to restructure the share capital of the Company so as to bring further benefits to the shareholders of the Company.

Finally, on behalf of my fellow directors, I would like to take this opportunity to express my sincere thanks to our shareholders, business partners and our staff for their support.

Li Heihu
Chairman

Hong Kong, 26 April 2002